Disclosure Paradigm Post 'The Companies Act 2013': A study of select Automobile Companies of BSE Sensex

Synopsis

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INTRODUCTION

Reporting [or more precisely Disclosure Practice(s)] is simply the communication of Company's financial and non–financial information to the outside world, this 'outside world'*[1] comprises of various stakeholders with diverse reasons to have such information more specifically such communication of material facts and figures, influences their decision making and from a different perspective, their association with that organization and continued support in future. *(Materiality of information depends upon stakeholder concerned: one fact or figure may be material for one stakeholder, at the same time less important or irrelevant for other stakeholder: like Annual General Meeting related information (No. of times meeting will be held, when etc.) interests investors (they keep an eye on such information) whereas this information will be of no much use to the employees, they will be more interested in profit figures as on the basis of which they can ask for a reasonable pay hike,).*

*[1] It is not possible for each and every stakeholder associated with an organization, directly or indirectly, to be in touch with day to day business of that organization. Further disclosure of information or reporting does not only target, parties outside the organization, it is essential and useful for people within the organization too as no individual can have all the information all the times.

Disclosure Practice of a Company is the outcome of Law(s) governing that Corporation (which includes mandatory provisions to be complied with or any guidelines released from time to time, plus internal policy of that organization (which includes all those disclosures which Company believes that such and such facts/figures must be disclosed). The proposed research topic entitled' **Disclosure Paradigm Post 'The Companies Act 2013': A study of select Automobile Companies of BSE Sensex'** is about one such Law i.e. 'The Companies Act 2013'

With the introduction and implementation of 'The Companies Act 2013', previously existing 'The Companies Act 1956' has been repealed partially (at the initial stage). It is an Act to

consolidate and amend laws relating to Companies. It has 470 Sections, 29 Chapters and 7 schedules. 'The Companies Act 2013', extends to the whole of India. Different provisions (sections, subsections etc.) of the Act are/will be applicable on such date(s) as the Central Government, by notification in the official gazette, has notified/ may notify. This Act has not only amended the previously existing provisions, but has also given place to several new concepts/definitions.

The purpose of the proposed study is to analyze 'How Disclosure Paradigm has changed/will change with the Implementation of 'The Companies Act 2013', which new addition(s) and amendment(s) are part of this Act, which were not there previously and will significantly influence the Disclosure Practices of the Companies covered under the ambit of this Act, in general and select sample Companies in particular. The proposed research piece has top five Automobile Companies {on the basis of Market Capitalisation (highest) as on 1st April 2014} which were part of BSE Sensex, as its sample. Duration of the Study will be five consecutive financial years (beginning from financial year 2014-15 and ending with financial year 2018-19). Further, the study intents to assess, the degree of compliance by select sample Companies as regard to different provisions of 'The Companies Act 2013' regarding different disclosures/disclosure heads covered under the Study and to seek opinions of different stakeholders and professionals regarding different provisions relating to Disclosures (covered under the study or in general) and overall their perception regarding 'The Companies Act 2013'.

*The study will consider 'The Companies Act 2013'(and amendments thereafter), Notifications/ Circulars/ Rules etc. as has been/will be notified by Ministry of Corporate Affairs from time to time, pertaining to the set objectives. Since Researcher has considered/will consider five Financial Years(beginning from Financial Year 2014-15 and ending with Financial Year 2018-19) as duration of the study for compliance purpose or otherwise, Rules/Notifications/Circulars etc.(the substantial ones) specific to a particular financial year(part of the entire duration of the study) issued/will be issued will be considered separately/specifically

LITERATURE REVIEW

There are seven Research Works/Papers in all: 1 (National Review) and 6 (International Review)

NATIONAL REVIEW(S)

S.No.	Author(s)	Year	Title	Objective(s)	Research Methodology	Key Findings
1[1]	Ratan Borman & Dipanjan Chakraborty	2014 **Journal:** Paripex - Indian Journal Of Research Volume:3, Issue : 7,July 2014 ISSN - 2250-1991	Corporate Social Responsibility in India: A Review of The Indian Companies Act, 2013 with Reference to CSR Provision	To examine the provisions regarding Corporate Social Responsibility(CSR) & the issues and challenges in implementation of CSR with special reference to the provisions of The Indian Companies Act 2013	The research work was descriptive in nature. Both the Primary and Secondary data sources were used by the Researcher.	The paper highlighted different aspects of Corporate Social Responsibility in the light of 'The Companies Act 2013' covering its applicability (in terms of Corporates), activities on which Corporates can contribute as part of their responsibility, Reporting of their contribution in terms of area or amount spent in Rupees (to mention a few important) and at last issues and challenges that must be considered, which may hinder the smooth implementation of the provisions.

INTERNATIONAL REVIEW(S)

S.No.	Author(s)	Year	Title	Objective(s)	Research Methodology	Key Findings
1[2]	Sai P.V.S	2017 **Journal:** Asian Journal Of Management Research Volume 7 Issue 3, 2017 ISSN: 2229 – 379	A comparative study of CSR practices in India before and after 2013	To understand the change (if any) in the Corporate Social Responsibility spending by Indian Corporates after the amendment of Company law in 2013	The study is exploratory in nature, it utilized past researches and other data sources to study Corporate Social Responsibility dimensions and related changes in reference to this burning issue post implementation of 'The Companies Act 2013'. Studies conducted before and after 2013 were compared by the researcher	Researcher observed that although there is a growth in Corporate Social Responsibility(CSR) spending by Indian corporates by 26 percent, it is disheartening to observe that 20 percent of the Companies which come under the definition of Corporate under the amendment have not spent even 2% of their Net Profits towards CSR
2[3]	Shalini. B & M. Subramanyam	2016 **Journal:** International Journal Of Research In Finance And Marketing Vol. 6 Issue 10, October – 2016	Corporate Governance And Disclosure Practices In Emerging Economies– A Case Of India	To study the recent developments of Corporate Governance disclosure practices in India and to analyze the implementation of Corporate Governance policies in Tata Consultancy Services Ltd.	The Research Piece used secondary sources of data and moved from general to specific: First it discussed about the Laws pertaining to Corporate Governance(how the laws evolved) then a case study of Tata Consultancy Services was discussed in light of the provisions regarding Corporate Governance of the recently implemented 'The Companies Act 2013'	The study is divided into two parts, first half discussed major reforms/ committees formulated in past to ponder and give recommendations on the issue of Corporate Governance in India and latter a case study of Tata Consultancy Services in view of Corporate Governance Practices and Disclosures after implementation of The Companies Act 2013(a comparative analysis of two consecutive financial years 2014-15 and 2015-16 was done). It is found that the provisions regarding Corporate Governance will strengthen the powers of Board/Independent Directors in an accountable and rational way

3[4]	Sunita	2015 **Journal:** International Journal of Management and Social Science Research Review Volume 1, Issue.11, May – 2015 ISSN -2349-6738 E- ISSN - 2349-6746	Companies Act 2013: A Tool To Strengthen Corporate Governance	To analyze the relevance of the newly introduced provisions of 'The Companies Act 2013' in the context of strengthening Corporate Governance framework in India.	The study was descriptive in nature and used secondary sources of data	The paper mentioned some of the key provisions in reference to Corporate Governance, forming part of the newly implemented 'The Companies Act 2013'.
4[5]	Rajanikanta Khuntia	2014 **Journal:** International Journal of Advancements in Research & Technology Volume 3, Issue 7, July-2014 ISSN: 2278-7763	Companies Act, 2013 – A New Wave Of Effective Regulation And Corporate Governance In India	To discuss the Corporate Governance reform brought in by the new Companies Act, 2013 and its implications	The research effort used secondary sources of data and list out the key highlights of Corporate Governance Provisions as regard to 'The Companies Act 2013'	The present study is descriptive in nature. It discussed the provisions pertaining to Corporate Governance with special reference to 'The Companies Act 2013'.

5[6]	Nishant Sharma and Ruchita Dang	2014 **Journal:** IOSR Journal of Business and Management Volume 16, Issue 5. Ver. IV (May. 2014) e-ISSN: 2278-487X, p-ISSN: 2319-7668	Analyzing Companies Act: A move towards better Governance	To understand the various developments of The Companies Act 2013 & its role in ensuring better Corporate Governance in the country	The research piece used secondary data sources for information regarding provisions of The Companies Act 2013 and the Act preceding it i.e The Companies Act 1956 and made a comparative analysis in reference to the different heads	The research work pointed out some of the key provisions of newly implemented Companies Act 2013, with a mention side by side what was there in the previous Act, The Companies Act 1956:stressing new introductions, omissions and amendments
6[7]	Sanjay Kumar Sharma	2013 **Journal:** Global Journal of Management and Business Studies. Volume 3, Number 7 ISSN 2248-9878	A 360 degree analysis of Corporate Social Responsibilit y (CSR) Mandate of the New Companies Act, 2013	To analyse different aspects of the new Corporate Social Responsibility law & the practical difficulties in the implementation of new provisions and the possible solutions to overcome these difficulties	The research paper was descriptive in nature and utilised secondary data for fulfilment of its objective(s).	The Researcher covered, different aspects pertaining to Corporate Social Responsibility, like the basic Provisions introduced with the implementation of the new Act, disclosure angle attached to it and at last highlighted the practical difficulties that may hinder smooth implementation of provisions introduced/implemented.

Source: Research Journals (see References)

NEED OF THE STUDY/ RESEARCH GAP/MOTIVATION TO THE STUDY

After going through the past literature, Researcher has discovered that just a handful studies have been conducted in reference to the 'The Companies Act 2013' and those which exist are descriptive in nature (just provisions have been mentioned/discussed). So there is a need to conduct an empirical research covering varied disclosures to be complied, in view of recently implemented 'The Companies Act 2013' and amendments thereafter and assess the degree of compliance to the varied provisions regarding disclosures, during the entire duration of the study, by select sample Companies (Automobile Sector has been chosen for the purpose of proposed study).

OBJECTIVES OF THE STUDY

The proposed research work is designed to achieve the following objectives:

1) To study the Provisions and (amendments thereafter) of 'The Companies Act 2013' regarding Disclosures

2) To examine the change in Disclosures regarding Board's Responsibility/Board's Role with the introduction of 'The Companies Act 2013'

3) To analyze the change in Disclosures regarding Auditor's Role with the introduction of 'The Companies Act 2013'

4) To study the Disclosures regarding Corporate Social Responsibility with the introduction of 'The Companies Act 2013'

5) To assess the extent of Compliance to the provisions of 'The Companies Act 2013' regarding Disclosures by select sample Companies

6) To analyze the perception of Different stakeholders and professionals regarding different provisions of 'The Companies Act 2013'.

JUSTIFICATION OF THE STUDY

The motive behind the proposed study is to analyze the change(s)/introduction(s), that will have an influence on Disclosure Practices of Companies in general, select Automobile Companies in particular, as regard to different Disclosure heads (like Disclosures regarding Board's Responsibility, Role of Auditors etc.) in the light of 'The Companies Act 2013' and amendments thereafter and to assess the degree of Compliance to the provisions by the select Automobile Companies (Sample of the study) during the entire duration of the study. Further study aims to seek opinions of different stakeholders and professionals on different provisions of 'The Companies Act 2013' specifically regarding the disclosure heads covered under the study and by and large how they perceive the recently implemented 'The Companies Act 2013'.

Further, select sample companies are S&P BSE Sensex constituents (representing the blue chip stocks/widely traded securities listed on Bombay Stock Exchange) which implies investors have inclination towards these securities and hence analyzing the extent of Compliance by these select sample companies becomes more important.

RESEARCH METHODOLOGY

A. Sampling Design

1) Sample Size-5 S&P BSE Sensex constituent Companies belonging to the Automobile sector of India have been selected, viz.

i) Bajaj Auto Ltd

ii) Hero MotoCorp Ltd.

iii) Mahindra & Mahindra Ltd.

iv) Maruti Suzuki India Ltd.

v) Tata Motors Ltd.

2) Sample Selection Criterion –Top 5 S&P BSE Sensex Constituent Companies as on 1st April 2014 {on the basis of Market Capitalization (highest)} belonging to the Automobile Sector of India

***Justification of Sample -**BSE Sensex Constituents represent the widely traded securities (commonly known as the 'Blue Chip' Stocks) of one of the prominent Stock Exchanges of India i.e. BSE, clearly indicating investors have inclination/preference for these stocks or Companies, differently put these Companies can easily procure funds from investors, with ease comes accountability, on the part of these Companies, to disclose all the material facts and figures, financial and non-financial in nature.

The reason behind selecting this particular sector, for the purpose of the study, is that Automobile Sector is one of the Emerging/Rising sectors of the Indian Economy(refer statistics given below in support of the statement), it is one amongst the twenty-five sectors which are part of 'Make in India' Initiative of Government of India, launched in the year 2014, with the motive, to encourage companies to manufacture their products in India.

1) In the Financial Year 2015-16, Automobile sector, contributed 7.1% to India's Gross Domestic Product (GDP) by volume and 49% of the nation's manufacturing GDP.

2) India stood at sixth position in the world with an average annual production of 24 million vehicles (for the financial year 2015-16).

3) Six million-plus hybrid and electric vehicles to be sold annually, by 2020.

4) By 2026, India is expected to be the third largest automotive market by volume in the world

5) Domestic Market Share: for the Financial Year 2015-16(in terms of types of vehicles)

- Passenger Vehicles:14%
- Commercial Vehicles:3%
- Three-wheelers:3%
- Two-wheelers:80%

6) Passenger vehicles, Commercial vehicles, Two wheelers and Three wheelers production is expected to grow to 9.4 million units, 2.0 million units,50.6 million units and 0.95 million units (annually), respectively by 2026

(Source: http://www.makeinindia.com/sectors)

Duration of the Study- Five consecutive financial years, beginning from financial year 2014-15 and ending with financial year 2018-19

B. Statistical Design

1) Type(s) of Data-The study will utilize primary and secondary data both to attain its different objectives.

Primary Data-To know the perception as regard to different provisions of 'The Companies Act 2013', a Questionnaire will be formulated and served to a sample, comprising different stakeholders and professionals. Sample size for the purpose will be Two Hundred and fifty.

Secondary Data: For instance, profile of select sample companies, material facts and figures disclosed in General Purpose Financial Statements (plus relevant schedules and annexures forming part of such Financial Statements) and other relevant information available through Annual Reports of select sample Companies or Companies' official websites.

Provisions of 'The Companies Act 2013' (including amendments thereafter) as available on official website of Ministry of Corporate Affairs and other authentic source(s)

Further relevant books, journals, newspapers, magazines and other source(s) of information will be consulted and considered for fulfilment of set objectives

2) Data Collection- A) **Primary Data-**A Questionnaire will be formulated and served to a sample of 250 (comprising of different stakeholders and professionals).

B) **Secondary Data-**Mainly through secondary sources of data like Annual Reports of respective sample Companies for the entire duration of the study, circulars and notifications etc. issued/will be issued from time to time by Ministry of Corporate Affairs in reference to proposed research topic, Research Journals, Books etc.

3) Data Analysis: i) Presentation Tools- Tables, Graphs and Charts

ii) Analytical Tools- Mean, Percentage and other appropriate descriptive and inferential statistical tools as per the research objectives or we can say need of the study will be used by the researcher

Objective Specific Research Methodology

S.No.	Objective	Research Methodology
1	To study the Provisions and (amendments thereafter) of 'The Companies Act 2013' regarding Disclosures	To attain this objective out of total Provisions of 'The Companies Act 2013'under different Sections, Chapters and Schedules provisions regarding Disclosures will be identified and studied.
2	To examine the change in Disclosures regarding Board's Responsibility/Board's Role with the introduction of 'The Companies Act 2013'	Different Disclosure Provisions/Norms pertaining to this disclosure head (Board's Responsibility) will be list out and examined in reference to the provisions of 'The Companies Act 1956'
3	To analyze the change in Disclosures regarding Auditor's Role with the introduction of 'The Companies Act 2013'	Different Disclosure Provisions/Norms pertaining to this disclosure head (Auditor's Role)will be list out and examined in reference to the provisions of 'The Companies Act 1956'
4	To study the Disclosures regarding Corporate Social Responsibility with the introduction of 'The Companies Act 2013'	Different Disclosure norms pertaining to this disclosure head (Corporate Social Responsibility)will be list out and studied
5	To assess the extent of compliance to the provisions of 'The Companies Act 2013' regarding Disclosures by select Sample Companies	(Overall) Compliance will be analyzed as regard to different Disclosures related provisions of 'The Companies Act 2013' covered under the study, by the select sample Companies.
6	To analyze the perception of different stakeholders and professionals regarding different provisions of 'The Companies Act 2013'	A Questionnaire will be designed, seeking opinion regarding different Disclosure Norms to be complied to, in particular and how the sample perceive this recently implemented 'The Companies Act 2013' in general. A sample size of 250(comprising different stakeholders and professionals) has been set for this purpose

HYPOTHESES:

Null Hypothesis 1($Ho_{1)}$: There is no significant difference between Disclosure Norms before and after the introduction of 'The Companies Act 2013' regarding Board's Responsibility/Board's Role

Null Hypothesis 2($Ho_{2)}$: There is no significant difference between Disclosure Norms before and after the introduction of 'The Companies Act 2013' regarding Auditor's Role.

Researcher may further, formulate hypothesis(es) during the course of the study as per the demand of the study to give it a more scientific base.

PROPOSED CHAPTER PLAN

CHAPTER NUMBER	TITLE/COVERAGE
CHAPTER 1	Introduction
CHAPTER 2	Literature Review
CHAPTER 3	Different Provisions of 'The Companies Act 2013' regarding different Disclosures(objective 1,2,3 and 4)
CHAPTER 4	Compliance by select sample Companies to the different Disclosure Norms as regard to 'The Companies Act 2013'(objective 5)
CHAPTER 5	Perception of different stakeholders and professionals regarding different provisions of 'The Companies Act 2013'(objective 6)
CHAPTER 6	Analysis and Interpretation
CHAPTER 7	Findings, Suggestions and Conclusion

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